

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2017-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO QUESTIONS 1, 2(a), 3(a), 4, 6, AND 7
OF CHAIRMAN'S INFORMATION REQUEST NO. 2
(October 21, 2016)**

The Postal Service hereby files its responses to the above-captioned questions from Chairman's Information Request No. 2, issued on October 18, 2016. Each question is stated verbatim and followed by the response. The responses to the remaining questions from CHIR No. 2 are still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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October 21, 2016

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1. Please refer to Library Reference USPS-LR-2017-1/2, Excel file "BD Adjustments.xls." The Postal Service calculates blended prices in many tabs including tabs with names ending in "OP" and tabs ending in "HSplit." In each of these tabs, the Postal Service divides the "Combined Revenues" by "Combined Volumes" to calculate a blended price. Please confirm that revenues associated with NSA pieces use generally applicable prices, consistent with 39 C.F.R. § 3010.24, which requires that NSA pieces be included in the calculation of percentage change in rates "as though they paid the appropriate rates of general applicability." If not confirmed, please explain how the NSA pieces were accounted for and how that method is consistent with 39 C.F.R. § 3010.24.

RESPONSE:

Confirmed. The revenues associated with NSA pieces use generally applicable prices, consistent with 39 C.F.R. § 3010.24.

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2. Please refer to Attachment B to the Notice and Library Reference USPS-LR-R2017-1/2, Excel file "CAPCALC-STD-R2017-1.xls."
- a. Attachment B (at page 11 of 19) reports the discount for Automation ADC Flats as \$0.018. In Excel file "CAPCALC-STD-R2017-1.xls," tab "L-F-P New Prices," the price for origin Automation Mixed ADC Flats is \$0.550 and the price for origin ADC Flats is \$0.533. This results in a discount of \$0.017. Please resolve this discrepancy and make necessary corrections to Excel file "CAPCALC-STD-R2017-1.xls" or Attachment B.

RESPONSE:

- a. The wrong Automation ADC Flats price was used in the formula for cell F7 in Attachment B (at page 11 of 19), and is corrected in the revision filed with this response as "ChIR2 Q2a Attachment B Rev 10 21.xlsx."

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3. Please refer to Library Reference USPS-LR-R2017-1/4, Excel files "CAPCAL-PACKSERV-R2017-1.xls," and "Crosswalk FSS Rollback Package Services.xls."
- a. Please provide the RPW extract file for each quarter used for the distribution of BPM FSS volume. Specifically, please provide extract files for Quarter 4 FY 2014, Quarter 1 FY 2015, and Quarter 2 FY 2015.

RESPONSE:

- a. The RPW extract files for Quarter 4 FY 2014, Quarter 1 FY 2015, and Quarter 2 FY 2015 are being filed concurrently with this response as library reference USPS-LR-R2017-1/NP2.

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4. Please refer to the Notice at page 54 concerning the passthroughs for the BPM Parcels workshare discounts. The Notice states that the passthrough for the DDU BPM Parcels discount is set at 107.7 percent. However, Attachment B of the Notice, page 19, shows that the 107.7 percent passthrough is for the Basic Carrier Route DNDC BPM Parcels discount. Please confirm that the passthrough for Basic Carrier Route DNDC BPM Parcels is 107.7 percent and the passthrough for DDU BPM Parcels is 112.5 percent.
 - a. Please see Excel file "Crosswalk FSS Rollback Package Services.xls," tab "FSS Volume," cells F15 and G15, and compare with Excel file "CAPCAL-PACKSERV-R2017-1.xls," tab "BPM Presort Flats BDs," cells Q33, R33, W33, and X33. Please confirm that the volumes of DFSS Facility and DFSS Scheme in "FSS Volume" are different from "BPM Presort Flats BDs." Please reconcile this discrepancy.
 - b. Please refer to Excel file "Crosswalk FSS Rollback Package Services.xls." Please provide a detailed version of this file that is not internally hardcoded, *i.e.* tabs "FSS Volume" and "Volume to be Distributed" are linked.
 - c. Please refer to Excel file "Crosswalk FSS Rollback Package Services.xls," tab "Volume to be Distributed," cells C10:R10. Please provide a narrative that explains the rationale for including the 1,288 pieces that were missing from the FSS volume derived from the hybrid billing determinants covering period Quarter 4 FY 2015 through Quarter 3 FY 2016. Please explain why this volume is not included in Excel file "CAPCAL-PACKSERV-R2017-1.xls."
 - d. Please provide a version of Excel file "CAPCAL-PACKSERV-R2017-1.xls" with the FSS volumes linked to the Excel file "Crosswalk FSS Rollback Package Services.xls."

RESPONSE:

Confirmed. The passthrough for Basic Carrier Route DNDC BPM Parcels is 107.7 percent and the passthrough for DDU BPM Parcels is 112.5 percent.

- a. Confirmed. This discrepancy was caused by the inversion of the DFSS Facility and DFSS Scheme columns in Excel file *Crosswalk FSS Rollback Package Services.xls*. An updated version of this Excel file is being

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submitted concurrently with this response as a revision to library reference USPS-LR-R2017-1/4.

- b. As requested, an updated version of Excel file *Crosswalk FSS Rollback Package Services.xlsx* is being submitted concurrently with this response as a revision to library reference USPS-LR-R2017-1/4.
- c. With respect to 1,288 piece discrepancy, the Postal Service has determined that the data in the hybrid year billing determinants matches the RPW data. Upon further investigation, the Postal Service discovered that the 1,288 piece difference between the two data sets occurred due to an error in the v-lookup formula used to obtain the volume that needed to be distributed from the Q4 FY 2015 RPW extract file. Excel file *Crosswalk FSS Rollback Package Services.xlsx* was revised to match the information in the billing determinants and in Excel file *CAPCALC-PACKSERV-R2017-1.xlsx*. As a result, the 1,288 piece discrepancy has been eliminated.
- d. As requested, an updated version of Excel file *CAPCALC-PACKSERV-R2017-1.xlsx* is being submitted concurrently with this response as a revision to library reference USPS-LR-R2017-1/4.

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6. Please refer to the volume calculation for Nonautomation Presort Letter Shaped DVD Mail in Library Reference USPS-LR-R2017-1/1. Please confirm that the formula in this cell should be “=SUM('Quarterly BDs'!E30:H30).” If not confirmed, please explain why the included formula is correct. If applicable, please file amended workpapers.

RESPONSE:

Confirmed. Amended workpapers are being filed today as a revision to library reference USPS-LR-R2017-1/1.

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7. Please refer to Library Reference USPS-LR-R2017-1/NP1, Excel file "Inbound CAPCALC-FCMI-R2017-1_100316.xls," tab "IB FCMI Revenue Calculation." Please confirm that the Universal Postal Union (UPU) terminal dues rates for Country Code 916 should be calculated by using the per item and per kilogram terminal dues rate and not the combined per kilogram terminal dues rate.
- a. If confirmed, please file amended workpapers.
 - b. If not confirmed, please provide UPU documentation that supports using the combined per kilogram rate.

RESPONSE:

Confirmed. Instead of only updating for Country Code 916, the amended workpapers use new target system provisional terminal dues in all of the UPU Group 3 revenue calculations, in accordance with the Classification of countries and territories for terminal dues and Quality of Service Fund (QSF) purposes (Lists of Resolution C 77/2012, as amended by the 2013 CA decisions) published at the following UPU link:

http://www.upu.int/uploads/tx_sbdownloader/listCountryClassificationEn.pdf.

Amended workpapers are being filed today as revisions to USPS-LR-R2017-1/NP-1 and USPS-LR-R2017-1/1.